



Press Release
February 20, 2020

The Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged at 12.25 percent, 13.25 percent, and 12.75 percent, respectively. The discount rate was also kept unchanged at 12.75 percent.

Annual headline urban inflation recorded 7.2 percent in January 2020 compared to 7.1 percent in December 2019, as monthly inflation recorded 0.7 percent in January 2020 compared to 0.6 percent in January 2019. Monthly headline inflation in January 2020 was mainly driven by higher food prices as well as by higher non-food prices but with a lesser extent. Meanwhile, annual core inflation increased to 2.7 percent in January 2020 compared to 2.4 percent in December 2019. Annual inflation rates came in line with the expectations of the Central Bank of Egypt.

Real GDP growth stabilized around 5.6 percent in 2019 H2 compared to its level in FY2018/19. Monetary policy continued to support private domestic demand, which has outpaced net exports as the main driver of economic activity in the first three quarters of 2019, driven by the acceleration in private investment growth.

While the expansion of global economic activity stabilized, financial conditions and uncertainty regarding trade policies eased somewhat. However, disruptions to global economic activity following the recent coronavirus outbreak could weigh on the global economic outlook, at least in the near term. Meanwhile, international oil prices declined due to lower demand, yet remain subject to volatility due to potential supply-side factors that include geopolitical risks.

Regarding the labor market, the unemployment rate recorded 8.0 percent in 2019 Q4 compared to 7.8 percent and 7.5 percent in 2019 Q3 and Q2, respectively. Nevertheless, employment continued to recover on a quarterly basis for the fourth consecutive quarter.

Against this background, and following the cumulative reduction of 350 basis points during the second half of 2019, the MPC decided that keeping key policy rates unchanged remains consistent with achieving the inflation target of 9 percent (± 3 percentage points) in 2020 Q4 and supporting the disinflation path over the medium-term. The MPC closely monitors all economic developments and will not hesitate to resume its easing cycle subject to further moderation of inflationary pressures.

Monetary Policy Sector

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